

COMMENTS OF MT. CARMEL PUBLIC UTILITY CO.

Regarding an Investigation by the Illinois Commerce Commission

of Additional Unbundling of Delivery Services

Mt. Carmel Public Utility Co. (MCPU) appreciates the opportunity to provide its views related to the Commission's "Investigation Into Additional Unbundling of Delivery Services".

As the Commission may recall, MCPU owns none of its own generation resources and relies completely on wholesale power purchases for meeting its native load requirements. Currently, MCPU has no customers that have taken service under delivery service rates in order to purchase power and energy from a third party supplier. We believe this condition will change only when and if a more dynamic market for retail power and energy has developed over the entire state.

At present, some suppliers are making sales of retail power and energy in northern Illinois, but few are competing for business downstate. MCPU is curious, however, as to whether any service provider is offering any unbundled services other than power and energy, and the extent to which customers are actually taking any of these offerings.

MCPU is hesitant to suggest that additional unbundling is warranted at this time. We believe, and have stated in previous proceedings, that before additional unbundling is undertaken, a self-sustaining statewide market for power and energy must first develop.

We believe this will only occur subsequent to the Mandatory Transition Period, when transition charges passed through to customers cease to distort the difference between competitively priced power and energy and cost-based regulated prices.

We further believe that to institute further unbundling prior to the existence of a statewide market for power and energy will simply prolong its development, or distort the basis from which it develops. We understand that some suppliers, with a stated eagerness to compete and participate in the market, would welcome additional unbundling of various services, but we see these as a distraction to what the real purpose of deregulation in Illinois was supposed to be. We believe that additional services would simply be used as additional or supplementary revenue sources in the absence of power and energy sales. Such services could actually reduce the motivation of suppliers to compete more effectively for power and energy sales, as the real value or price of power and energy might be hidden, or distorted by suppliers offering a bundle of services at a combined price. In other words, while these services would be unbundled from the utility menu of services, it is likely suppliers will simply “re-bundle” them on a third party basis. We don’t mean to imply that this is wrong, but rather that there is an appropriate time to allow such packaging. We suggest that time is when a viable market for power and energy exists throughout the state.

We do believe that once a viable market for power and energy exists throughout Illinois, it may be appropriate to determine whether other services should be offered competitively. We also advise caution when that comes closer to reality. For example, in

previous proceedings, the terms Customer Service and Customer Handling were used in conjunction with one another as services that a third party provider might provide instead of being provided by the traditional utility. We recall the problem being how these services were defined. While it was possible that suppliers were able to identify what it was they would do for customers that they labeled as customer service or customer handling, the real controversy came in clearly identifying these services as a replacement for some task performed by the utility. If such services are offered or performed by the supplier related to their role as supplier, but are not a replacement for something offered by the utility, then these services are not appropriately unbundled, as the utility will still be providing these functions. Worded another way, if certain services are rightfully performed by both the supplier and utility in the course of the respective business of each, then each providers prices should reflect the cost of those services. It does not justify extracting the cost of the utility service and handing it over to the third party supplier, and then expecting either the utility to provide it at a loss, or expecting the customer to no longer rightfully receive it in conjunction with the utility's business. We believe that certain services that suppliers have in the past claimed should be unbundled were simply redundant services that must be offered by any entity doing business with an electric customer.

Additional services should only be considered for unbundling when:

- 1) it is reasonably certain that these services can be offered by the third party supplier,**

- 2) it can be verified that there will no longer be a need for the utility to offer these services,** (Relieving the utility of revenue related to services the utility will still find it necessary to provide will simply distort the market and harm the utility. Third party suppliers should support any activities they find necessary with pricing structures that appropriately recover their costs of doing business. Utilities should not be required to subsidize supplier activities simply to get them into the market.)
- 3) it can be verified that the supplier is offering the same level of service that was offered by the utility,** (If a given service is unbundled, and utilities provide a reduction in pricing in order for suppliers to provide certain services instead of the utility, it should be verified that suppliers actually provide the same service previously provided by the utility, and not simply collect the charges for the given service.)
- 4) the unbundling of these services does not serve as a supplement to power and energy services that are not fully competitive,** (Suppliers with difficulty competing in the market for power and energy should not be allowed to supplement this difficulty by collecting charges for unbundled services. Doing so will likely deprive customers of a level of service previously obtained by the customer, as charges collected will tend to support the power and energy marketing function rather than simply sustaining the services from which those charges are derived.)
- 5) the Mandatory Transition Period has ended.**

MCPU reserves the right to alter, change, amend, add to or delete from these comments at a later time, and states herein that these comments are for discussion purposes only.